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UNCLAS QUITO 001096

SIPDIS

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SUBJECT: GOE REPLACES FTA NEGOTIATION TEAM

REF: QUITO 1047

1. (U) Summary. President Palacio issued an Executive Decree May 12 making wholesale changes to the GOE FTA negotiation team. Trade Minister Oswaldo Molestina has been named lead negotiator, though former lead negotiator Cristian Espinosa has been kept on as Under Secretary for Foreign Trade and Integration in the Ministry. It is unclear what, if any, role Espinosa will continue to play in the negotiations or how these changes will affect the GOE's capacity to continue with the negotiations. The other most notable addition to the negotiating team is President of the Quito Chamber of Commerce Blasco Penaherrera, a vocal opponent of former President Gutierrez, but also a strong proponent of the FTA and IPR protections.

Changing Horses Past Midstream  
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2. (U) Despite assurances from Trade Minister Oswaldo Molestina that the GOE planned to keep the team largely the same (reftel) and confirming rumors to the contrary out of Guayaquil (septel), President Palacio issued an Executive Decree on May 11 (made public May 12) changing his free trade agreement (FTA) negotiating team. The new lead negotiator is Trade Minister Molestina, who lacks experience in trade negotiations. Molestina will lead the team in its meetings next week in Bogota with their Andean counterparts in preparation for the June 6-10 negotiation round in Guayaquil. Quito Chamber of Commerce President Blasco Penaherrera Solah is replacing Mauricio Pinto, who resigned last month under President Gutierrez. Penaherrera was a vocal opponent of President Gutierrez and one of the leaders who called for his ouster. However, as President of the Quito Chamber, Penaherrera was a strong supporter of the FTA and intellectual property rights (IPR) protections.

3. (U) Other new faces on the negotiation team are Francisco Alarcon Fernandez Salvador, Vinicio Baquero Ordonez, Francisco Pena Valle and Raul Lopez Paredes. Palacio also appointed Dr. Eduardo Armendariz as Under Secretary for Small, Medium and Micro Enterprises and Artesania, Susana Gonzalez Rosado as Regional Under Secretary for the Coastal Region, Santiago Malo as Southern Region Under Secretary and Cristobal Mariscal as Under Secretary for Fishery Resources.

4. (SBU) Guayaquil Chamber of Industries President Alberto Dassum (protect) told Econ Counselor May 12 that he tried several times to talk Palacio out of making the changes. Dassum said that Palacio had a personal grudge against Espinosa ever since the Cartagena round of negotiations that Palacio had attended as Vice President. Palacio had been pushing Espinosa on IPR issues (likely on pharmaceuticals and patent protections) and had not liked how Espinosa had handled the situation.

Comment  
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4. (SBU) We are trying to ascertain what, if any, role former lead negotiator Espinosa will play in the negotiations. We are also trying to learn more about the new negotiators and their trade negotiation experience, to determine how steep their learning curve will be and how the new team might change negotiating positions and strategies. It is clear that, by joining the negotiations at this late stage, they will have a lot of catching up to do. Their meetings next week in Bogota with their Colombian and Peruvian counterparts will give us a good indication of how prepared they are to conclude an FTA and how much leeway their counterparts will be willing to grant the new team.

CHACON